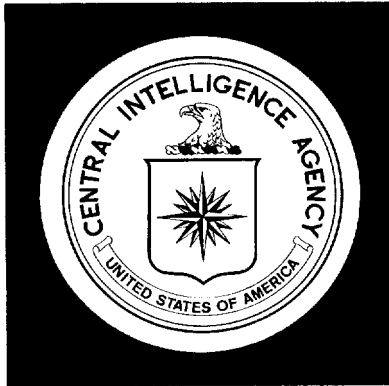


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The United States Intelligence Board has approved the establishment of a National Intelligence Bulletin that will replace the Central Intelligence Bulletin. The first issue of the new publication will appear on May 29, 1974. The National Intelligence Bulletin will be produced by the Director of Central Intelligence in collaboration with member agencies of the United States Intelligence Board. Insofar as possible, the National Intelligence Bulletin, like the CIB, will present fully coordinated information and judgments, but it will provide a greater opportunity for the participating agencies to express differing or dissenting views. The National Intelligence Bulletin will be addressed to all those who have received the CIB.

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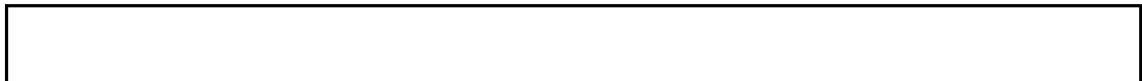
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*ISRAEL: The Labor Alignment and the two small liberal parties, the Independent Liberal Party and the Citizens Rights Movement, yesterday signed a formal agreement to form a coalition government. The agreement apparently clears the way for Prime Minister-designate Yitzhak Rabin to replace Mrs. Meir. The Labor Party Executive Bureau meets Saturday and probably will ratify the new coalition agreement.

Rabin undoubtedly will ask President Katzir to grant him more time when the first extension of his mandate expires today. Under the law, Rabin could get up to 14 more days.

A major obstacle still to be overcome is the composition of Rabin's cabinet. It is likely to have numerous holdovers from Mrs. Meir's government, although many may be heading different ministries. In Israel, the factions and coalition partners, rather than the Prime Minister, choose the candidates for ministerial posts. Since the old leadership groups remain largely intact, few startling changes are likely.

Defense Minister Moshe Dayan is expected to leave the government. Deputy Prime Minister Yigal Allon's leftist Labor Party faction would like him to be defense minister, while the party's conservative Rafi faction is demanding that Information Minister Shimon Peres be given the defense portfolio. Peres appears to have the inside track.

Foreign Minister Eban will probably stay on, despite personal differences with Rabin, in order to provide the appearance of continuity in this vital area. [REDACTED]

*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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ARAB STATES: Shortly after Secretary Kissinger returns to Washington, Arab leaders are likely to hold a conference to discuss the results of his mediation efforts.

President Asad has asked for an Arab summit meeting and has received the backing of Algerian President Boumediene.

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Some Arab newspapers have said that the meeting will be limited to Presidents Sadat, Asad, and Boumediene and King Faysal.

If a disengagement accord is concluded, the Syrians will press for the adoption of a united Arab position at Geneva to try to prevent Egypt from getting out ahead of Syria again during the next phase of negotiations. Asad may also want to obtain the endorsement of other Arab leaders for the terms of the disengagement agreement in order to take some of the responsibility off his own shoulders.

On the other hand, if no accord is reached, the Syrians will try to line up support for the position they adopt at that time. Asad might well press for the reinstitution of the oil embargo. Representatives of Arab oil-producing states are scheduled to meet in Cairo on June 6 to review their oil policies.

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EC - ARAB STATES: The EC apparently is preparing to move forward on its proposal of March 4 for wide-ranging cooperation with the Arab states. The process of changing governments in London, Bonn, and Paris, along with an adverse US reaction, had stalled earlier action.

The EC offer involves cooperation with the Arabs in such fields as transportation, industry, agriculture, technical training, and science. The proposal was first raised in the EC last January by the French, after the Arabs had expressed interest in cooperation at the Copenhagen summit of EC leaders in December 1973. France and a number of the other EC states wish to maintain a political presence in the Middle East. The energy crisis and its repercussions intensified the determination of the European states to play a role in the area.

Hans-Dietrich Genscher, West Germany's new foreign minister, said publicly on May 19 that he believes the EC dialogue with the Arabs will begin "in the next few weeks." A senior West German official visited Cairo last weekend to discuss West German and EC relations with the Arabs. He may go on to other Arab capitals.

A high Belgian official told a number of Arab ambassadors earlier this month that the EC foreign ministers would probably take up the question of EC-Arab cooperation early in June and that he thought they would decide to begin talks with the Arab states. Preliminary discussions within the EC may take place in Bonn on May 27-28.

A committee of 11 Arab foreign ministers, formed in March to develop a policy on EC-Arab cooperation, early this week expressed interest in a dialogue but decided to await the results of EC meetings before pursuing the matter further. The foreign ministers--in Cairo for a meeting of the Arab League Defense Council--listed topics that they would like to discuss with the Europeans. These would include European

assistance in establishing an industrial base in the Arab world, a flow of European technology, a "balanced" system of trade exchange, and stability in the value of Arab capital investments to guard against the effects of future "monetary shocks."

The EC, meanwhile, is considering two emergency programs to assist Palestinian refugees. Action on one of them--budgetary assistance--was suspended last March because of the chance that the EC foreign ministers might want to consider it in the context of the EC proposals for cooperation with the Arab states. This no longer appears to be the case, because none of the members has asked that the program be tied to the broader political question of EC-Arab relations.

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THAILAND: Prime Minister Sanya has yielded to public and press clamor and agreed to remain as head of the government.

Sanya is likely to make several changes in his cabinet, but none would portend any significant departure in Thailand's foreign or domestic policies.

Sanya's demonstrated reluctance to remain in office, however, may serve to speed up the process of drafting a new constitution, which has bogged down in the National Assembly. Sanya originally had agreed to head the government only until the constitution is promulgated and elections are held.

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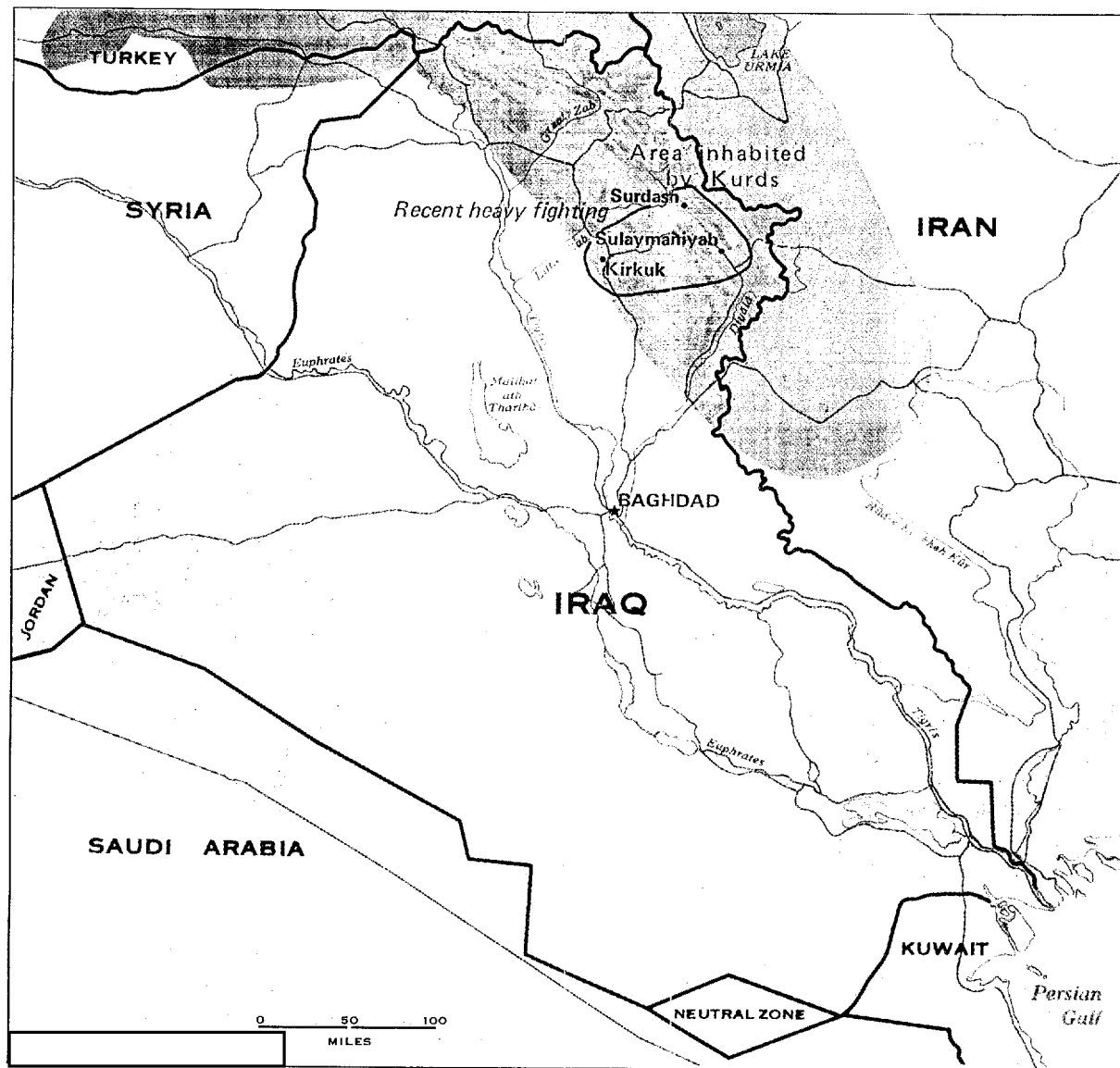
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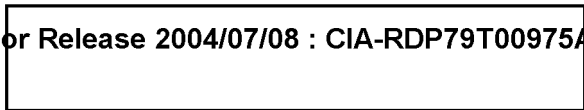
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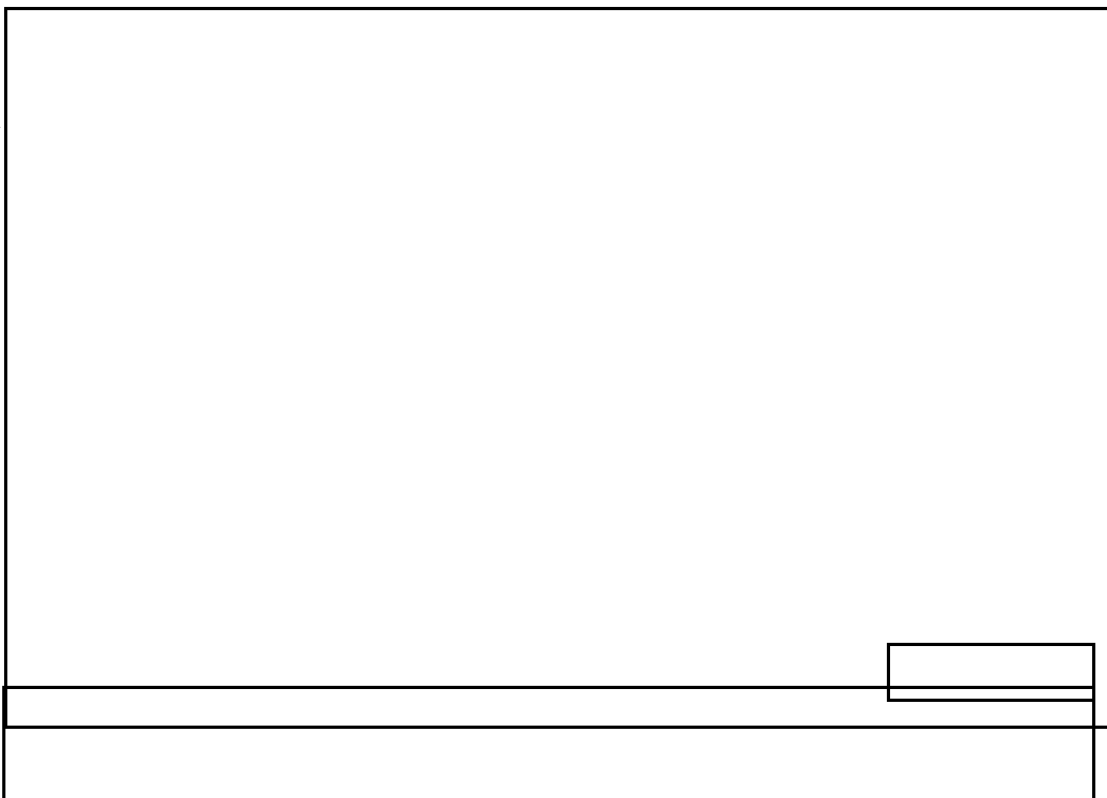
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IRAQ: Clashes between government forces and Kurdish rebels are occurring daily in widely scattered parts of northern Iraq. Some of the heaviest recent fighting has been in the Sulaymaniyah-Kirkuk-Surdash area. The government still does not appear eager to launch a full-scale offensive, which, in effect, would be an admission of the failure of its autonomy plans for the Kurds.



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NATO-UK: The UK has forthrightly posed in a study paper the problem faced by its European NATO partners, how to maintain a healthy European armaments industry while not cutting themselves off from US equipment and technology.

In a paper presented for study by the staff of NATO's Eurogroup, the British ask whether the US is prepared to recognize that there are types of equipment which all the allies must procure in Europe. London points out that it is essential that the European allies carry their share of the NATO defense burden and also maintain a base for any future European defense cooperation arrangements. The paper clearly recognizes, however, that the strength of the Alliance will continue to depend in large measure on US material, either through direct purchases or licenses.

Spurred by budgetary pressures, London is currently pursuing a detailed review of defense spending. Britain's Eurogroup paper notes that a more efficient use of resources is a major aim of the "buy-European" policies London is now suggesting.

London has also asked its Eurogroup colleagues to consider means by which the French, who do not participate in the Eurogroup, can be consulted on the problem. The British paper highlights the desire of the other Europeans to solve the arms procurement problem within a NATO context. Paris has been virtually isolated in its efforts to shift the discussion of arms standardization to the seven-nation West European Union.

The NATO Committee of National Armaments Directors has been working on the arms procurement problem for several months. In reviewing their progress at a North Atlantic Council meeting last month, the representatives expressed fear of US dominance and the tendency of NATO countries to protect their own defense industries in order to further national objectives.

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The UK's Eurogroup paper may now lead to a difficult debate on the political level that will have to establish a balance between desires for greater European cooperation, competing national interests, and the continuing need for US armaments support in trying to frame a rational NATO arms procurement program.

The dilemma facing Alliance members is illustrated in the continuing efforts of the Benelux and Scandinavian members to reach agreement on the joint purchase of US or French-manufactured aircraft to replace their aging US-made F-104s.

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SOUTH VIETNAM: High prices and reduced availability of fertilizer may force Saigon to play a larger role in domestic fertilizer distribution. Government officials estimate that as much as 350,000 tons of fertilizer are being hoarded by speculators. This estimate, however, is probably exaggerated.

Retail urea prices are now over \$245 a ton--up 150 percent from a year ago--with no relief in sight. Recent bids for delivery of urea to Vietnam are in the neighborhood of \$380 a ton. The fertilizer bill for this year could be twice last year's \$50-\$60 million.

South Vietnam must maintain large fertilizer imports if rice self-sufficiency is to be achieved over the next several years. The high-yielding rice varieties now being used on about one third of the planted area have been largely responsible for increasing paddy production from 4.4 million tons in the late 1960s to an estimated 6.5 million tons last year. These new strains are highly responsive to fertilizer, and cutbacks in fertilizer usage will reduce next season's output.

Farm incomes are likely to drop substantially as fertilizer and other costs climb.

FOR THE RECORD

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Japan: Commercial banks' net short-term borrowings in the Eurodollar, Asiadollar, and New York money markets increased by \$5 billion for the first four months of the year, according to the central bank. The huge borrowing was needed mainly to finance Japan's soaring oil import bill. Further borrowings of this size are not likely, however, because the large increase in imports during the first four months is likely to be followed by more moderate increases in the coming months.

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